

Message Text

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PAGE 01 STATE 080898

51

ORIGIN ARA-17

INFO OCT-01 ADP-00 IGA-02 AGR-20 HEW-08 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00

PM-09 H-02 L-03 NSC-10 PA-03 PRS-01 SS-15 USIA-12

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LA/ DP: LHARRISON

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FM SECSTATE WASHDC

TO AMEMBASSY ASUNCION

C O N F I D E N T I A L STATE 080898

E. O. 11652: GDS

TAGS: PFOR MASS EAID PA BL

SUBJECT: ECONOMIC/ MILITARY ASSISTANCE: PARAGUAYAN

FOREIGN MINISTER EXPRESSES HOPE FOR INCREASED

U. S. AID

REF: ASUNCION 1519; STATE 66165

1. DURING FOREIGN MINISTER SAPENA PASTOR' S CONVERSATION
WITH THE SECRETARY NO SUGGESTION WAS MADE THAT HE FOLLOW
UP IN ASUNCION WITH AMBASSADOR. IF OCCASION ARISES, YOU
MAY WISH TO DRAW ON THE POINTS WHICH WERE MADE AND ARE
REPORTED IN STATE 66165. THIS SHOULD FURTHER HELP DISPEL
UNREAL EXPECTATIONS THAT LARGE NEW BILATERAL LOANS CAN BE
MADE TO PARAGUAY. IN PARAGRAPH 5 ASUNCION 1519 YOU HAVE
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PAGE 02 STATE 080898

INDICATED THAT YOU WILL ASSURE SAPENA PASTOR THAT ANY SOUND PROJECT WITH DEVELOPMENTAL IMPLICATIONS WILL BE CAREFULLY STUDIED ON ITS MERITS. WE SUGGEST THAT IF SAPENA RAISES SUBJECT AGAIN YOU ALSO STATE THAT WE PREFER TO DEAL WITH PROJECTS WHICH FALL WITHIN AREAS OF OUR CONCENTRATION IN AGRICULTURE AND EDUCATION; THAT WE ARE ALREADY PREPARING LOAN PROPOSALS FOR A NEW LOAN TO COMDESA AND FOR FINANCING OF CADASTER PROJECT, WHICH IS SUBJECT TO CONGRESSIONAL APPROPRIATION AND FURTHER DEFINITION OF THE PROJECT. ALSO WE WOULD APPRECIATE IT IF YOU WOULD EMPHASIZE MULTILATERAL LENDING AGENCIES FOR NEW LOANS, AND SELF- HELP PERFORMANCE IN THE FISCAL AREA.

2. WE ARE CONCERNED THAT YOU NOT GET INTO A BILATERAL PLANNING SESSION FOR NEW US LOAN PROJECTS. THE CIAP MECHANISM, AS YOU CLEARLY INDICATE IN PARAGRAPH 5, IS THE APPROPRIATE PLACE FOR A COUNTRY TO DESCRIBE ITS DEVELOPMENT NEEDS, ITS PROGRAM OF SELF- HELP ACTION, AND TO ELICIT THE REACTION OF THE FINANCIAL COMMUNITY. PLEASE STEER LOAN DISCUSSIONS INTO THAT FORMAT.

3. YOU MAY WISH TO HAVE MEMBERS OF THE COUNTRY TEAM MAKE THE FOLLOWING POINTS TO APPROPRIATE PARAGUAYANS FROM TIME TO TIME: (A) ASSISTANCE TO BOLIVIA HAS FOR THE MOST PART BEEN PROVIDED TO MEET CRITICAL NEEDS OF AN EMERGENCY NATURE, WHICH DO NOT EXIST IN PARAGUAY; (B) MULTILATERAL AGENCIES HAVE NOT BEEN PROVIDING FINANCING TO BOLIVIA AS THEY HAVE FOR PARAGUAY; (C) PARAGUAYAN BALANCE OF PAYMENTS AND FOREIGN EXCHANGE RESERVES HAVE BEEN RUNNING AT HIGH LEVELS; (D) A LARGE PIPELINE EXISTS FOR LOANS TO PARAGUAY AND EXTERNAL LENDING AGENCIES HAVE HAD DIFFICULTIES OBTAINING SUFFICIENT LOCAL COUNTERPART TO MOVE EXISTING LOANS WHICH POINTS TO THE NEED TO IMPROVE PARAGUAYAN FISCAL PERFORMANCE; (E) SUBSTANTIAL BENEFITS FROM NEW HYDROELECTRIC PROJECTS TO BE ARRANGED MAINLY BY ARGENTINA AND BRAZIL WILL PROVIDE FUTURE FOREIGN EXCHANGE BENEFITS TO PARAGUAY; (F) PARAGUAY' S CURRENT NEEDS FOR EXTERNAL ASSISTANCE ARE BASICALLY FOR TECHNICAL ASSISTANCE, NOT LOANS. ROGERS

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